



Project Proposal: 'Determine the likelihood that another investor could reasonably acquire Weyerhaeuser's pulp plant at Cosmopolis and operate it profitably and competitively without relying upon significant workforce compensation reductions.'



PANELTECH

INTERNATIONAL LLC
2999 John Stevens Way
Hoquiam, WA 98550

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INTERNATIONAL LLC
2999 John Stevens Way
Hoquiam, WA 98550

JAN 17 AM08:56

January 10, 2006

Jim Keogh
CTED/EDD
128 10th Ave. SW
PO Box 42525
Olympia, Washington 98504-2525

Subject: Cosmopolis Mill Study Proposal

Dear Jim,

Enclosed is our company's proposal to complete the Cosmopolis Pulpmill Feasibility Study. As you will see, we have done our level best to address all of the topics that you raised in your request for proposals (RFP). We have also included an additional project phase, a phase for 'education'. Finally, in the interest of full disclosure, we will review our company's past activities regarding the mill, we will review our potential conflicts of interest and we will review our initial biases and concerns as we propose to approach this formidable task.

At the outset, I'll also give you a quick overview of the team we have assembled to do this project. Truman Seely, the former Weyerhaeuser VP of Specialty Cellulose and former Cosmopolis mill manager and Terry Roarke, the former General Sales Manager for Chemical Cellulose for Weyerhaeuser, will work for us as sub-contractors. They have critical skills and insight. Scott Olmstead, my business partner, was my controller when I ran Rayonier's Fernandina Beach mill. Scott and I have also done extensive consulting work in the economics of dissolving pulp businesses. Krishan Sudan, our company's technical director, is an expert in lignin-based silvi-chemicals.

In assembling this proposal, we included a new 'education' phase because you have proposed to include a very broad range of people with a very broad range of backgrounds in this project. We have found from our previous experience working with clients like the U.S. Department of Justice on similar projects (e.g. Alaska Pulp Company) that it is most productive to build a common, understandable frame of reference at the project's outset. As you are probably aware by now, the Cosmopolis mill is not simply an old paper pulp mill. It is a very sophisticated sulphite manufacturer of high-purity chemical cellulose, a feedstock to even more sophisticated chemical processes and it employs a comparatively low yield process with its own unique set of environmental challenges.

It is easy to summarize the potential conflicts of interest that we may have in performing this work- there aren't any. While Scott and I worked for Rayonier for many years and we continue to have many friends who work there, we long ago set out on our own. Rayonier has an obvious interest in the Cosmopolis mill's acetate customers (see, for example Rayonier's Q3 2005 Earnings Conference Call) and, as Grays Harbor businessmen and residents, we have an obvious interest in keeping them here. We have performed consulting assignments for Madison Dearborn, the investment bankers that helped spin Buckeye Cellulose off from Procter and Gamble, but those were just consulting assignments.

Truman and Terry are Weyerhaeuser retirees but they spent many years of their lives with the Cosmopolis mill and they want to be certain that any reasonable business options are carefully examined. Shortly after the public announcement was made that the facility would be shutdown, we at Paneltech asked Weyerhaeuser to consider us a party interested in acquiring the mill. For a variety of reasons (which we will happily review with you), we subsequently told Weyerhaeuser that we were no longer interested.

We are including (after this letter of submission) a listing of our initial project biases and concerns to save time and, in the event that we are not chosen to do this project, for your future use.

We weren't looking for new consulting opportunities when this project came along. Paneltech has a number of ambitious manufacturing business growth initiatives currently underway. We are proposing to do this assignment because: 1) Egos aside, we are the best-qualified people to do it. No one knows the chemical cellulose industry and the Cosmopolis mill's place in it better than Truman and Terry served for many years as the mill's marketing manager. With Scott's help, I wrote the turnaround plan for the Cosmopolis mill's primary competitor- Rayonier's Fernandina, Beach, Florida sulphite mill- and executed it. Scott and I modeled both Ketchikan Pulp Company (KPC) and Alaska Pulp Company (APC)- the two hemlock-based, dissolving sulphite mill-based forest products businesses in Southeast Alaska. I served as the government's dissolving pulp expert in the long and contentious APC case, which the government won. 2) Our 'hearts' are into this project every bit as much as our 'heads'. Truman and Terry played important roles in the mill's past successes. All of us except Terry are Grays Harbor residents. In fact, if we aren't chosen to do this assignment, I will volunteer my time to participate in whatever manner you think advisable.

Thanks for the opportunity to make this proposal.

Regards,

A handwritten signature in dark ink, appearing to read "Roy Nott", with a stylized flourish at the end.

Roy Nott
President

A Quick Review of Some of Our Biases and Concerns

1. A dissolving pulp business' economic viability depends upon '6 M's'

- Men (the human resource)
- Materials (the process inputs, especially wood fiber, energy and caustic)
- Machines (the physical plant and assets)
- Methods (how things are done)
- Movement (logistics)
- Market (listed last but actually the most important of the 6 M's)

All of the 'M's' must be carefully reviewed for performance improvement opportunities. New investors are usually skeptical of business turnaround plans that focus initially and primarily upon new, large, 'sunk' investments in 'machines'.

2. Albert Einstein famously said, 'The significant problems we face cannot be solved at the same level of thinking we were at when we created them.' We need to be:

- Open to new ideas and creative
- Cognizant of the power of and ready to employ 'real options'
- Cognizant of the need to employ 'marginal analysis'
- Open to 'economies of scope' (versus the more typical pulpmill business focus on new, bigger equipment and 'economies of scale')

3. The long-term trends in dissolving pulp demand have been downwards. The demand for dissolving pulp has recently been stronger, especially for viscose pulp for Asia, but:

- Few industry experts are ready to claim a 'new DP demand era' yet
- Global DP competitors (total market approximately 4 million tons) are already taking steps to expand capacity (estimates range from 600,000 to 800,000 tons)

4. Weyerhaeuser is unlikely to agree to sell the facility if the company's environmental liabilities aren't limited to pre-sale, Weyerhaeuser operations. A 'new' cost to the facility, the cost of environmental insurance, must be included in all future business pro formas.

5. The budget for doing this project is very low by consulting standards and the time proposed to do it is very short by comparison with similar projects. The RFP scope is also quite broad.

6. As Rayonier's Lee Nutter said to industry analysts during the company's third quarter 2005 earnings review, '...it (Weyerhaeuser's intention to shut down the mill) was not a very well kept secret, if you will.' While it is possible, it is unlikely that a current, large, established DP industry player will be seriously interested in acquiring the mill now. If they were interested, they most likely would have made that interest known to Weyerhaeuser many months ago.

7. Time is of the essence. The longer this process takes the more likely it is that the mill will lose critical customers. Furthermore, the new wood fiber strategy will likely be more complex and more open market-oriented requiring substantial time for development.
8. Excellent, timely cooperation by personnel in the Department of Ecology and Department of Labor and Industries is assumed.
9. While the KPC and APC projects required us to work with a broad range people in the U.S. Forest Service and Department of Justice, we have very little experience working on a difficult, fast-track project like this with an 'advisory committee'.

EXHIBIT B

CERTIFICATION AND ASSURANCES

I/we make the following certifications and assurances as a required element of the proposal to which it is attached, understanding that the truthfulness of the facts affirmed here and the continuing compliance with these requirements are conditions precedent to the award or continuation of the related contract(s):

1. The prices and/or cost data have been determined independently, without consultation, communication or agreement with others for the purpose of restricting competition. However, I/we may freely join with other persons or organizations for the purpose of presenting a single proposal.
2. The attached proposal is a firm offer for a period of 60 days following receipt, and it may be accepted by Washington State Department of Community, Trade and Economic Development (CTED) without further negotiation (except where obviously required by lack of certainty in key terms) at any time within the 60-day period.
3. In preparing this proposal, I/we have not been assisted by any current or former employee of the state of Washington, who previously was an employee of the state of Washington during the past 24 months, whose duties relate (or did relate) to this proposal or prospective contract, and who was assisting in other than his or her official, public capacity. Neither does such a person nor any member of his or her immediate family have any financial interest in the outcome of this proposal. (Any exceptions to these assurances are described in full detail on a separate page and attached to this document.)
4. I/we understand that CTED will not reimburse me/us for any costs incurred in the preparation of this proposal. All proposals become the property of CTED and I/we claim no proprietary right to the ideas, writings, items, or samples, unless so stated in this proposal.
5. Unless otherwise required by law, the prices and/or cost data which have been submitted have not been knowingly disclosed by the Proposer and will not knowingly be disclosed by him/her prior to opening, directly or indirectly to any other Proposer or to any competitor.
6. No attempt has been made by the Proposer to induce any other person or firm to submit or not to submit a proposal for the purpose of restricting competition.
7. I/we understand that any contract(s) awarded as a result of this bid proposal will incorporate General Terms and Conditions substantially similar to those attached in Exhibit D. I/we certify that I/we will comply with the General Terms and Conditions if selected as a contractor.



President

January 13, 2006

Signature of Proposer

Title

Date

EXHIBIT C

CONFIDENTIAL FINANCIAL CAPABILITY AND INFORMATION

Washington State Department of Community Trade and Economic Development

Proposer Name: **Roy Nott, Paneltech International LLC** Title: **President**
Address: **2999 John Stevens Way, Hoquiam, Washington 98550**
Phone: **360-538-1480** Fax: **360-538-1510**
Submitted by: **Roy Nott** Date: **January 16, 2006**

PLEASE ATTACH ADDITIONAL SHEETS AS NECESSARY

Part 1 - Identifying Information

1. Name, address, principal place of business, and telephone number of legal entity with whom contract is to be written: **Attention: Roy Nott, Paneltech International LLC, 2999 John Stevens Way, Hoquiam, Washington 98550, Phone No. 360-538-1480**
2. Name, address, and telephone numbers of principal officers, including the person to manage the contract: **Roy Nott, President (contract manager) and Scott Olmstead, Secretary and CFO, Paneltech International LLC, 2999 John Stevens way, Hoquiam, Wa 98550, Phone No. 360-538-1480**
3. Legal status of the Proposer and year entity was established: **Washington Limited Liability Company, entity formed in 1996**
4. Federal Employer Identification number: **91-1715734**
Washington Uniform Business identification number: **601693888**
5. If any party named above was, or is, an employee of the state of Washington in the past 24 months, indicate his/her social security number, job title, employing agency, and separation date: **None**
6. List your principal clients, length of time that you have held each, approximate current annual billing of each, and business classification. Indicate all pulp and paper or timber industry related accounts in this list, even if you do not consider them principal accounts. Indicate all new clients acquired over the last three years: **(See also the list of relevant projects and references in the 'Project Management, Technical and Cost Component' Section) Our principle clients in dissolving pulp business consulting over the past three years have been Industrial Economics and the U.S. Department of Justice. Total billings to these two clients were about \$1,500,000. We have not actively sought consulting work since we finished the APC case but we have completed minor, short-term timber-related studies for Sierra Pacific, Port Blakely Tree Farms, Timber Data Corporation, San Bernardino County, California and others, primarily in conjunction with our rail logistics business activities.**

Cosmopolis Mill Feasibility Study

Overview of Consulting Resources Proposed to be Utilized

Individual	Status	Distinctive Competence	Primary Tasks Being Proposed
Roy Nott	Paneltech President	Directly applicable dissolving pulp experience with Rayonier including creation of and execution of 'turnaround' plan for Fernandina Beach, Florida sulphite DP mill (the Cosmopolis mill's direct competitor). Responsible for Rayonier company-wide wood procurement. Directly applicable consulting experience also. An entrepreneur.	Overall project management, primary contact for 'Department' and 'Advisory Committee'. Special focus on wood procurement strategy, logistics strategy, safety, health and environmental strategy and marketing strategy.
Truman Seely	Sub-Contractor, Retired Former Cosmopolis Mill Manager	Extensive dissolving pulp experience with Weyerhaeuser's Cosmopolis mill. Knows the culture of the mill and 'where the bodies are buried'. Intimately familiar with all key mill processes and with wood fiber suitability issues. Knows the mill's customer base and their requirements.	Evaluation of all key business processes, competitive benchmarking, assistance in development of new fiber procurement strategy, assessment of 'real options', new marketing plan development.
Scott Olmstead	Paneltech Secretary and CFO	Controller and key team member in creation and execution of 'turnaround' plan for Fernandina Beach, Florida sulphite DP mill (the Cosmopolis mill's direct competitor). Analyzed financial statements of APC and KPC and built financial models of these integrated, sulphite DP-based forest products businesses.	Analysis of Cosmopolis mill historical performance and creation of new mill model that permits quick economic evaluation of alternative business plans. Generation of wood supply and pulp demand curves for the mill.
Terry Roarke	Sub-Contractor, Retired Former Cosmopolis Mill Marketing Manager	Extensive dissolving pulp process and marketing experience with Weyerhaeuser's Cosmopolis mill. Knows the mill's historical customer base intimately. Numerous dissolving pulp industry contacts.	Evaluation of near term risks of losing the mill's most valuable customers and identification of strategies to try to avoid losing them. Competitive benchmarking and suggestion of and evaluation of new DP pulp marketing opportunities.
Krishan Sudan	Paneltech Technical Director	Extensive global experience and technical competence in resins technology. An entrepreneur.	Quick evaluation of potential opportunities for lignin-based chemicals.

Roy Nott
114 First Avenue
Aberdeen, Washington 98520
360-533-6258

Education, Training

MS, Yale University, 1978
BS, Forest Engineering, Oregon State University, 1973
ITT Program for International Manager Exchange (PRIME), 1987

Time Period	Company	Position/s	Responsibility/s
February 1996 to Present	Paneltech International LLC (Hoquiam, Wa)	Founder, President, CEO	Founded & built new company serving four markets: 1) logistics, 2) overlays for wood-based panels, 3) resin-treated webs for ballistic panels and 4) composites
February 1993 to February 1996	Simpson Timber Co. (Portland, Or)	General Manager, Oregon Overlay Division	General management of an autonomous business unit that developed and produced treated webs for domestic and international wood-based panels manufacturers
September 1990 to February 1993	ITT Rayonier (Stamford, Ct)	Vice President, Pulp and Forest Products	Direct responsibility for dissolving pulp operations, lumber operations and company-wide fiber procurement
November 1988 to September 1990	ITT Rayonier (Fernandina Beach, Fl)	Vice President, SE Forest Products	Responsible for ITT's forest (wood procurement), lumber and pulp products (sulphite and PHK kraft) operations located in the SE
June 1986 to November 1988	ITT Rayonier (Fernandina Beach, Fl)	Director SE Forest Products and GM, Fernandina Pulp Division	Responsible for ITT's forest operations and lumber operations in the SE, acting general manager of ITT's dissolving sulphite pulpmill in Fernandina Beach, Florida
March 1984 to June 1986	ITT Rayonier (Fernandina Beach, Fl)	Director, SE Forest Products	Management of ITT's forest and lumber operations located in the SE
March 1981 To March 1984	ITT Rayonier, (Forks, Wa)	Clallam Area Manager, ITT's NW Forest Operations	Responsibility for approximately 50% of ITT's western forests (log export focus) including large company logging operation with several sorting yards. "POD" (self-directed work teams) program manager.
May 1980 To March 1981	ITT Rayonier (Seattle, Wa)	NW Business Planning Manager	Wrote ITT Rayonier's 1981 strategic plan for all NW forest, wood, pulp and silvi-chemical operations. Acquisition manager, Milwaukee Timberlands.
June 1978 to March 1980	International Paper Company (Portland, Or)	Senior Economic Analyst, Western Region	Analytical staff support to western regional management-forest, lumber and plywood studies.
May 1976 To August 1977	International Paper Company (Longview, Wa)	Logging Manager	Managed the logging operations on International Paper's Longview, Washington, Vernonia, Oregon and Grand Ronde, Oregon Tree Farms
May 1974 To May 1976	International Paper Company (Vaughn, Or)	Logging Foreman	Logging foreman in the Gardiner-Vaughn (Oregon) Region
March 1973 To May 1974	Weyerhaeuser Company (Longview, Wa)	Contract Supervisor	Right-of-way logging contract supervisor in the Weyerhaeuser Longview (Washington) Region

Scott Olmstead, C.M.A.
617 Essex
Aberdeen, Washington 98520

Education, Credentials

BS, Accountancy, Northern Arizona University, 1975
 Certified Management Accountant, Member of IMA, Portland, OR. Chapter
 Numerous Professional Seminars and Classes including 6 Post Graduate Credits

Work History

Time Period	Company	Position/s	Responsibility/s
1996 to present	Paneltech International L.L.C.	CFO LLC Member	Financial manager of a new company that produces wood and paper products. Formed company, obtained debt financing, implemented automated accounting system. Operating manager of paper treating plant. Financial analysis for consulting clients .
1989 - 1995	Snow Mountain Pine, Ltd.	Chief Financial Officer	Overall financial responsibility for lumber and millwork facilities in Oregon with annual sales of \$50 million. Obtained financing, developed incentive plan, implemented new automated accounting systems, developed reporting package for insiders, banks.
1987-1989	ITT Rayonier	Division Controller	Financial responsibility for pulp mill and sawmill in Florida and Georgia. Automated systems, assisted with team based incentives, new subcontracted chip plant.
1985-1987	Southwest Forest Industries Purchased by Stone Container Corp	Controller	Financial responsibility for 9 sawmills, 2 plywood and 2 veneer plants in SW, NW and SE U.S. Converted and developed new computer systems for successor company.
		Division Controller	Financial responsibility for 5 sawmills and timber. Automated financial consolidations, assisted with timber, production and inventory control strategies.
1980-1985	ITT Rayonier	Manager of Costs and Budgets	Cost Accounting responsibility for 4 wood treating plants, 1 sawmill and 1 pole plant in Southeast U.S. Implemented automated standard cost system.
		Accounting	Financial management of logging and sorting operation in Western Washington. Developed pod accounting, automated log ticket accounting.
		Manager	
1976-1980	International Paper Company	Accounting Supv.	Accounting for sawmill, veneer, millwork plant in California. Improved control over log accounting.
		Plant Accountant	Ready mix concrete plant, pole treating plant in Western Washington. Worked up cost accounting systems for plant manager.

Krishan Sudan
3139 Lakeshore Drive
Deerfield Beach, Florida 33342
954-596-1624

Education, Training

Applied Chemistry, Ohm Academie, Nuremberg, Germany
Polymeric Engineering, McGill University, Montreal, Canada
Industrial Management, McGill University, Montreal, Canada

Time Period	Company	Position/s	Responsibility/s
1997 to Present	Paneltech International LLC (Hoquiam, Wa)	Technical Director	Process and product design for Paneltech's resin and treated webs operations
1992 to 1997	ARC Resins Corporation (Montreal, Canada)	Vice President, Technology	Designed and built new resins company with 150 million pound per year formaldehyde and spray drying plant. Total responsibility from purchasing and manufacturing to R&D and marketing.
1989 to 1992	Stellartech Limited (Montreal, Canada)	Technical Director	Developed partially-cured phenolic sheet molding compound (SMC), bulk molding compounds (BMC) and fully-cured, gel-coated phenolic/glass panels for commercial/industrial use.
1987 to 1989	Bokem Chemicals (Montreal, Canada)	VP Technology and Marketing	Established new resin company manufacturing phenolic and amino resins. Developed and patented phenolic spray dryer and became a major producer of spray-dried phenolics for the OSB industry
1984 to 1987	Donau Corp. (Deerfield Beach, Florida)	Technical Director	Technical resin consulting company with clients in USA, Canada, Italy, Norway, India and Germany
1967 to 1984	Reichold Chemicals (Montreal, Canada)	Senior R&D Chemist	Managed R&D laboratory for phenolics and amino resins, foams and composites. Managed R&D, chemical and equipment purchases for plants and laboratories. Developed all resin formulations, composites and applications from bench scale to full production for a wide range of applications- from fiction materials to molding compounds to mineral/wool insulation to abrasives to foundry to paper to adhesives to coatings for paper, textiles and fiberglass. Adhesives for plywood, particleboard, medium density fiberboard, linerboard, textiles, waferboard, oriented strand board, laminated veneer lumber and foam insulation. In the course of this assignment, obtained numerous patents in the formulation of the resins and their applications.
1966 To 1967	Deutsche Hoffman-La Roche (Grenzach, Germany)	Resin Research Technician	Responsibility for organic synthesis of various pharmaceutical products.

Truman L Seely

700 Fairway Drive
Aberdeen, Washington 98520
360-532-7929

EDUCATION

PhD, The Institute of Paper Chemistry, 1968
MS, The Institute of Paper Chemistry, 1965
BS, ChE, The California Institute of Technology, 1963

EMPLOYMENT

5/99-present Retired. Part time consulting.

10/97-5/99 Weyerhaeuser Co, Tacoma, WA. Vice President Specialty Cellulose, Pulp Division. Led specialty business team.

6/82-10/97 Weyerhaeuser Co, Cosmopolis, WA. Vice President, Mill Manager, Cosmopolis Pulp Mill. Overall responsibility for mill operations, profit and loss performance.

11/75-6/82 Weyerhaeuser Co, Longview WA. General Pulp Superintendent. Operating responsibility for kraft, sulfite and semichem pulping, bleaching, power and recovery, two pulp machines.

12/73-11/75 Weyerhaeuser Co, Cosmopolis, WA. Pulp Mill Superintendent. Operating responsibility for pulping, bleaching and machine operations.

1/68-12/73 Weyerhaeuser Co, Various positions in project engineering, process control project management and line supervision.

Resume

Terrence W. Roarke
11512 Interlaaken Dr. S.W.
Lakewood, Washington 98498

Home Telephone: 253-581-5024
e-mail: labfrm@aol.com

Personal Background:

Current Status: Retired
Marital Status: Married
Birth Date: August 27, 1937
Citizenship: United States
Health: Excellent

Education:

B.S. Chemical Engineering
University of Washington

Military:

U.S. Naval Officer (1959-1963)
AEW Squadron Navigator/Intelligence Officer

Work History:

Weyerhaeuser Company

Present to
January ,2001

Some consulting for
Industrial Economics
Inc.

January 1,1991 to
December 31,2000

General Sales Manger
Chemical Cellulose

January 1988 to
December 1991

Director of Quality-
Sales and Marketing

July 1983 to
December 1987

General Sales Manager
Fluff/Dissolving Pulp

1971-June 1983

Zone Sales Manager-
Pacific Rim

1970-1971

Manager of Market
Planning

1967-1971

Dissolving Pulp
Sales Representative

1965-1967

Sales Representative
New England

1963-1965

Project Chemical
Engineer-
Cosmopolis, Wash.



PANELTECH
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Hoquiam, WA 98550

Cosmopolis Mill Feasibility Study

Examples of **Paneltech** Consulting Experience Relevant to This Project

Client	Assignment	Data Used	Primary Objectives	Project Success or Failure
Madison Dearborn	Assisted with appraisal of business value and provided suggestions for economic value improvement of Tenneco Packaging- a potential Madison Dearborn acquisition	Tenneco Packaging's financial statements	Assess real value of business, uncover new value opportunities	Madison Dearborn acquired the business (now Packaging Corporation of America) for \$2.2 billion, it has since been taken public again
	Assisted with appraisals of business value and provided suggestions for economic value improvement for Kimberly Clark's pulpmills in Thunder Bay, Ontario and Pictou, Nova Scotia- potential Madison Dearborn acquisitions	Kimberly Clark's financial statements	Assess real value of business, uncover new value opportunities	Madison Dearborn was unable to agree with Kimberly Clark upon a price for the businesses, Kimberly Clark subsequently decided to 'spin these assets off'
U.S. Department of Justice	Modeled the entire Alaska Pulp Company (APC), assessed economic value of their assets and business plan, litigation support (Roy was the government's dissolving pulp expert witness in the court case)	Alaska Pulp's financial statements, correspondence, business records	Determine the economic impact (if any) of the Forest Service's timber policy changes on APC's integrated dissolving pulp business	A multi-year dispute, the case eventually went to court in Washington, DC. APC claimed over \$2 billion in damages. The judge ultimately ruled in the government's favor- no damages due APC.
Industrial Economics (for U.S. Department of Justice)	Modeled the entire Ketchikan Pulp Company (KPC), assessed economic value of their assets and business plan, timber contract termination settlement support	Ketchikan Pulp's financial statements, correspondence, business records	Determine the economic impact (if any) of the Forest Service's timber policy changes on KPC's integrated dissolving pulp business	Also a multi-year dispute, the government and KPC (then a subsidiary of Louisiana Pacific) reached a \$100 million+ settlement agreement



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Ft. Worth, TX 76150

Cosmopolis Mill Feasibility Study

Paneltech Consulting References

Client	Assignment	References/s	Function/s	Contact Information
Madison Dearborn	Assisted with appraisal of business value and provided suggestions for economic value improvement of Tenneco Packaging- a potential Madison Dearborn acquisition	Sam Menco	Managing Partner- Forest Products	312-895-1050
	Assisted with appraisals of business value and provided suggestions for economic value improvement for Kimberly Clark's pulp mills in Thunder Bay, Ontario and Pictou, Nova Scotia- potential Madison Dearborn acquisitions			
U.S. Department of Justice	Modeled the entire Alaska Pulp Company (APC), assessed economic value of their assets and business plan, litigation support (Roy was the government's dissolving pulp expert witness in the court case)	Bob Krishman	Chief Legal Counsel- APC vs. US Government Case	202-616-0328
Industrial Economics (for U.S. Department of Justice)	Modeled the entire Ketchikan Pulp Company (KPC), assessed economic value of their assets and business plan, timber contract termination settlement support	Joan Meyer	Managing Partner- Natural Resources	617-354-0074

Cosmopolis Mill Feasibility Study

Project Phases, Goals and Estimated Time and Fund Requirements

Project Sequence	Project Phase	Project Details	Estimated Time Requirement	Estimated Funds Requirement (1)
First Educate, Review Community and Advisory Committee Suggestions/Ideas/Concerns		What does the mill currently make and to whom do they sell it for what purposes? Trends in demand by end use?	8 Hours of Roy's Time, 4 Hours of Truman's Time and 4 Hours of Terry's Time in Preparation, 1 Hour Roy and 1 Hour Truman Presentation (2)	\$1,875
		How does the mill make it?		
		Who are the competitors?		
		What are the business' safety, health and environmental challenges?		
		What are the mill's competitive strengths and weaknesses?		
Second- A (Assumes Weyerhaeuser Shares Mill's Financial History and Cooperates With Analysis)	Analysis and Modeling	Analysis of Financial Statements	90 Hours of Scott's Time, 30 Hours of Roy's Time, 14 Hours of Truman's Time, 14 Hours of Terry's Time	\$15,060
		Setting Up the Historical Mill Model, Documentation, Regression Analysis on Key Business Drivers		
		Determining Outputs Required, Creating the Predictive Model, Documenting Key Assumptions		
		Creating Chip Supply Curves, DP Demand Curves for Marginal Analysis		
		Projecting Economic Impacts of Future Competitive Actions & Performance Improvement Projects		
Second- B (Assumes Weyerhaeuser <u>Does</u> Not Share Mill's Financial History but Cooperates With Analysis)	Analysis and Modeling	Create 'Generic' Mill Economic Model	72 Hours of Scott's Time, 57 Hours of Truman's Time, 15 Hours of Terry's Time, 30 Hours of Roy's Time	\$17,205
		Documentation of Key Assumptions		
		Determining Outputs Required, Creating the Predictive Model		
		Creating Chip Supply Curves, DP Demand Curves for Marginal Analysis		
		Projecting Economic Impacts of Future Competitive Actions & Performance Improvement Projects		

Either
Or

(1) Minimal Travel and Expenses Are Assumed. Therefore, No Travel & Associated Expenses Are Budgeted
(2) Hourly Billing Rate Assumed: Roy- \$125/hour, Scott- \$100/hour, Truman- \$90/hour, Terry- \$75/hour, Krishan- \$100/hour

Cosmopolis Mill Feasibility Study

Project Sequence	Project Phase	Project Details	Estimated Time Requirement	Estimated Funds Requirement
Third	Assess Current Competitive Market Position	Output (e.g. Dissolving Pulp) Markets- Strengths and Weaknesses Versus Competitors, Vulnerabilities	30 Hours of Roy's Time, 29 Hours of Truman's Time, 30 Hours of Terry's Time	\$8,610
		Input (e.g. Wood) Markets- Strengths and Weaknesses Versus Competitors, Vulnerabilities	Schedule Implications: Can Be Completed in a About One Week	
Fourth	Assess Competitiveness and Risks/Reliability of Key Processes, Future Process Investment Requirements	Wood and Other Materials Procurement	72 Hours of Truman's Time, 29 Hours of Roy's Time, 14 Hours of Scott's Time	\$11,505
		Pulping		
		Bleaching		
		Machine/Finishing		
Fifth	New Market Opportunities Assessment	Safety, Health and Environmental	Schedule Implications: Will Take About Two Weeks	\$10,065
		Logistics		
		Output Markets- New DP Market Opportunities, New Paper Pulp Market Opportunities, New Silvi-Chemical Market Opportunities, New Co-Generation Opportunities	31 Hours of Truman's Time, 30 Hours of Terry's Time, 29 Hours of Roy's Time, 14 Hours of Krishan's Time	
		Input Markets- New Wood, Caustic and/or Logistics Opportunities	Schedule Implications: Will Take a Week or So	

Cosmopolis Mill Feasibility Study

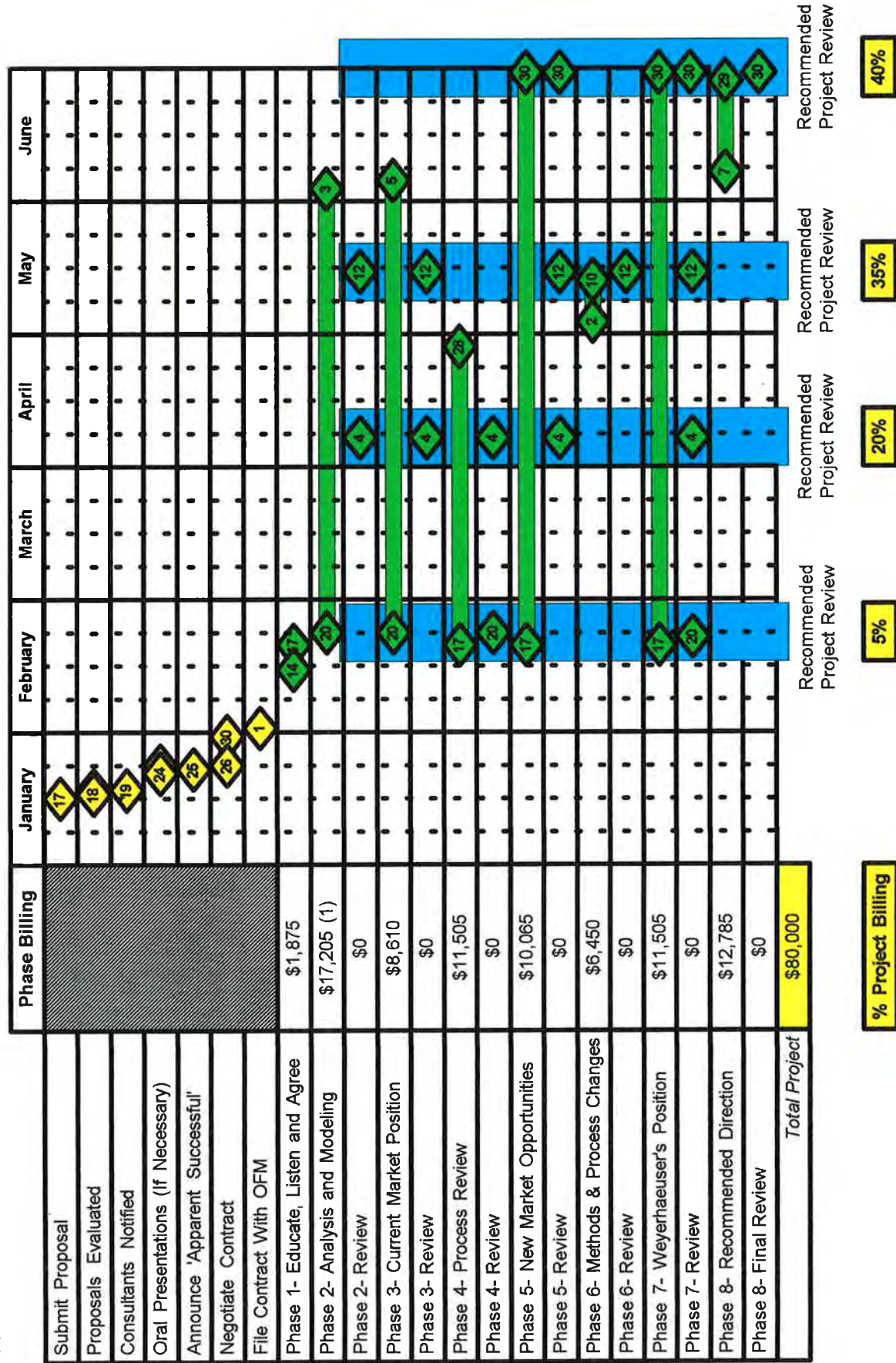
Project Sequence	Project Phase	Project Details	Estimated Time Requirement	Estimated Funds Requirement
Sixth	Methods and Process Change Opportunities Assessment	Opportunities to Reduce Specialization, Expand Scope	30 Hours of Roy's Time, 30 Hours of Truman's Time	\$6,450
		More Market-Based Management Opportunities	Schedule Implications: Can Be Completed in a About One Week	
		New Process Equipment Opportunities		
		Process Equipment Reliability Improvement Opportunities		
Seventh	Weyerhaeuser Sales Conditions Assessment, Implications	Weyerhaeuser Discussions	72 Hours of Truman's Time, 29 Hours of Roy's Time, 14 Hours of Scott's Time	\$11,505
		Alternatives Exploration With Weyerhaeuser	Schedule Implications: Will Take About Two Weeks	
		Constraints on Options		
Eighth	Recommendations to Meet Weyerhaeuser's Conditions, to Attract Investors	Future Pollution Liabilities	29 Hours of Truman's Time, 14 Hours of Terry's Time, 73 Hours of Roy's Time	\$12,785
		Pulp & By-Product Marketing Strategy	Schedule Implications: Will Take About Two Weeks	
		Fiber Procurement Strategy		
		Strategy to Identify and Pursue Potential Investors		

	January	February	March	April	May	June
Submit Proposal	17					
Proposals Evaluated	18					
Consultants Notified	19					
Oral Presentations (If Necessary)	24					
Announce 'Apparent Successful'	25					
Negotiate Contract	26-30					
File Contract With OFM	1					
Phase 1- Educate, Listen and Agree	14-17					
Phase 2- Analysis and Modeling	20					3
Phase 2- Review				4	12	
Phase 3- Current Market Position		20		4	12	5
Phase 3- Review						
Phase 4- Process Review		17		28		
Phase 4- Review		20		4		
Phase 5- New Market Opportunities		17				30
Phase 5- Review				6	12	30
Phase 6- Methods & Process Changes					2	
Phase 6- Review					10	
Phase 7- Weyerhaeuser's Position		17			12	30
Phase 7- Review		20		4	12	30
Phase 8- Recommended Direction						29
Phase 8- Final Review						30

Cosmopolis Mill Feasibility Study

Key Milestones, Estimated Time Requirements, Proposed Billing, Recommended Progress Payment Schedule

(1) Assumes Weyerhaeuser Does Not Provide Financials



% Project Billing



U.S. Department of Justice

Civil Division

DMC:REK:JWVanneman
154-95-153

Telephone: (202) 307-6289

Washington, D.C. 20530

April 28, 2003

Mr. Roy Nott
General Manager
Paneltech International
POB 576
2999 John Stevens Way
Hoquiam, WA 98555

**Re: Alaska Pulp Corporation v. United States,
No. 95-153C (Fed. Cl.)**

Dear Mr. Nott:

We write to express our gratitude for the vital contributions you have made to our litigation efforts, which culminated in your trial appearance last October at which you provided your expert opinions.

We recognize that you have been extremely generous with your time over the years, particularly given your busy work and travel schedule. Regardless of the ultimate outcome of this litigation, we believe that, at trial, you assisted us in establishing a clear record that places complicated events in their proper context and that sets forth the proper approach for evaluating APC's damages claims.

You have served as one of our consultants and testifying experts longer than any other of our testifying experts in this case. We appreciate your dedicated and exhaustive research, whether it involved the voluminous documents or independent research and discussions with others who could assist you in formulating your expert opinions. Your forthright and thorough review and analyses with respect to APC's pulp mill and its operations, fiber flows and pulp sales curves, and APC's lack of any strategic business planning, were crucial to our defense of the case.

We also appreciate the assistance you provided to many of the government's other experts, which played an important role in their ability to testify successfully. With the distinction of having served the longest, and regarding one of the most crucial areas of testimony, also came the difficult cross-examination to which you were subjected. As an expert witness, you handled the questions with honesty and integrity. We truly appreciate all the hard work, thought, and effort that you invested in this case. We are grateful for your sustained superior effort over the last many years.

We also appreciate your willingness to stay in Washington, D.C., for the 40 days that you were here, to assist us throughout the trial. We recognize that this was a significant commitment for you and that it was not easy to manage your business from a distance. We truly appreciate all your work on this case.

Again, thank you for your enormous contributions over the course of this litigation. It has been our pleasure to work with you.

Very truly yours,



ROBERT E. KIRSCHMAN, JR.

Assistant Director
Commercial Litigation Branch
Civil Division



JANE W. VANNEMAN
Senior Trial Counsel
Commercial Litigation Branch
Civil Division